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RESTRUCTURING POLICE FINANCING IN MUNICIPALITIES UNDER 5,000 POPULATION AND UNINCORPORATED AREAS

DISCUSSION PAPER

Ministry of Public Safety and Solicitor General

September 2002

PURPOSE

This document has been prepared to guide the discussion between the province and the UBCM on options for refinancing police costs in unincorporated areas and municipalities under 5000 population. The province is looking forward to receiving input on police finance options at a workshop to be held on Monday, September 23, 2002 prior to the UBCM Convention at Whistler.

INTRODUCTION

It has become clear in recent years that the current arrangements for policing in small municipalities and rural areas are not meeting local needs. Both municipal and provincial governments share concerns like:

- *Inequity*: There are substantial differences in the amount local taxpayers contribute towards their police costs. In 2001, property taxpayers in communities over 5,000 population contributed an estimated $164 per capita for their municipal police services, while taxpayers in municipalities under 5,000 contributed nothing. Taxpayers in unincorporated areas paid a provincial rural property tax of which only a small portion could be deemed to support police costs.

- *5,000 population threshold*: When municipalities exceed 5,000 population they become responsible for 70% of the costs for their police services; and when they exceed 15,000, they are responsible for 90% of the costs. Municipalities with independent police forces pay 100% of the cost. This creates a sudden, sharp increase in costs for small municipalities when they pass specific thresholds.

In addition, local governments have expressed frustration over a lack of input into the policing priorities in their communities and an inability to obtain the level of policing services they want.

Generating a greater local contribution to the cost of police services in municipalities under 5,000 and unincorporated areas would reduce inequities in police financing, remove or lessen the impact of the 5,000 population threshold, and lessen barriers to municipal incorporation or restructure. Opportunities for local governments to increase their influence over police services could also be created.

Since the mid-1970s, several government task forces and joint committees have studied the structure of police financing and how to reduce its inequities. The last study began in 1992 when a joint UBCM/Provincial Police Costs Committee was appointed to develop recommendations. A discussion paper titled "Financing Local Police Services in British Columbia" was released in 1994.[1] The government members of the committee recommended equalizing police costs by charging those who were currently paying little

[1] This paper can be found on the Ministry's Web site at www.pssg.gov.bc.ca/police_services.

or nothing, and directing the revenues to policing projects that would benefit all British Columbians. No consensus was reached and the joint UBCM/Provincial Police Costs Committee has not met since 1996.

At the UBCM convention in September 2001, Solicitor General Rich Coleman announced that the Ministry of Public Safety and Solicitor General was developing a new financing formula for police services in rural areas and municipalities under 5,000.

Following the UBCM convention, over 60 municipalities sent letters to the Solicitor General enquiring about the new police financing arrangements. In January 2002, the Solicitor General wrote to these municipalities informing them that the Ministries of Public Safety and Solicitor General, Finance, and Community, Aboriginal and Women's Services, are developing options for charging municipalities under 5,000 and unincorporated areas for their local police services. The letter indicated that the options being developed would increase fairness for taxpayers throughout the province, and that municipalities reaching the 5,000 mark would no longer experience a sudden, dramatic increase to their policing costs.

A new funding formula for small municipalities and rural areas will form part of our five-year plan to reform police services in British Columbia through service integration, greater community involvement and enhanced efficiencies and, where appropriate, amalgamation.

Cost and Financing of Local Police Services[2] in British Columbia

The total cost to deliver provincial and municipal police services in British Columbia in 2001/2002 is estimated at $806 million,[3] paid for by contributions from:

- the provincial government ($153 million)
- municipal governments ($551 million)
- the federal government ($101 million)

The $153 million cost to the province is for RCMP services to 83 municipalities under 5,000 population, unincorporated areas and Indian Reserves. As well, a portion supports the provincial police infrastructure. The provincial cost breaks down as follows:

- $39 million for service to unincorporated areas
- $15 million for service to municipalities under 5000
- $9 million for policing Indian Reserves
- $90 million for provincial police infrastructure and specialised functions

[2] Local police services include general duty and investigative units, but exclude highway/freeway patrol and specialized functions serving all jurisdictions.
[3] This excludes the cost of the federal force.

Municipalities over 5,000 population are responsible for providing police services to the area within their municipal boundaries. In 2001, they paid $551 million for police services, as follows:

- 59 municipalities with RCMP contracts paid an estimated $305 million for their share of local police services.[4]
- 12 municipalities with their own independent police forces paid an estimated $246 million for local police services.

Appendix A explains the method used to calculate the cost of local police services in municipalities under 5,000 and unincorporated areas. Appendix B provides a summary of municipal, provincial and federal contributions to local police costs in 2001.

Funding Sources for Police Costs

Provincial cost for unincorporated areas: ($39 million) The province relies on money from general taxes, including the provincial rural area tax. That tax only applies in unincorporated areas and is often justified by provincial services such as local roads, policing and emergency services, which by comparison are usually the responsibility of local taxpayers within municipalities.

Provincial cost for municipalities under 5,000: ($15 million) The province has only one funding source, the general fund. Residents of municipalities under 5,000 do not contribute directly to their local police costs.

Municipalities over 5,000: To pay for their share of police service costs, municipalities over 5,000 rely on municipal property taxation. They also have access to traffic fine revenue sharing grants in which a portion of revenue from traffic fines levied within municipalities is available to municipalities based on their relative police costs.

The province also provides local government grants based partly on ability to pay. Small Community Protection Grants take the value of the local assessment base into account, while Regional District Basic Grants provide funding to regional districts with smaller populations.

Input into Policing

Residents of unincorporated areas and municipalities under 5,000 can affect the level and nature of their police services only by making requests of the provincial government or by approaching the RCMP directly. There is no mechanism allowing them to change police service levels if they wish. When municipalities cross the 5,000 population threshold and sign an RCMP municipal agreement, they have a much greater opportunity to influence their police service levels. In the case of the twelve

[4] Those between 5,000 and 15,000 population receive a 30% federal contribution while those over 15,000 receive a 10% contribution. They all pay 100% of costs for accommodation and civilian staff.

independent police forces, municipal police boards are responsible for overseeing service levels in their community.

OPTIONS

The Ministries of Public Safety and Solicitor General, Finance, and Community, Aboriginal and Women's Services have identified two options to generate a greater local contribution for local police services in municipalities under 5,000 and unincorporated areas:

Option 1: Levy a new provincial "police services tax" in these areas to pay for local police services

Option 2: Require regional districts to raise revenues to pay for local police services

Both options share the following characteristics:

- **Full recovery of local response to call costs:** Both options assume full cost recovery ($54 million) for local police services provided by the Provincial Police Force in municipalities under 5,000 and unincorporated areas.

- **No credit for the rural property tax:** While the rural property tax has been described as supporting rural police and road costs, revenues from this tax cover less than half the cost to the province of maintaining rural roads.[5] Therefore, both options assume full recovery of provincial police costs for rural areas.

- **No change in the Provincial Police Services Agreement:** The RCMP would continue to provide police services to unincorporated areas and municipalities under 5,000 according to the terms of the existing Provincial Police Services Agreement.

- **Greater equity in contribution:** Contributions made by taxpayers in rural areas and municipalities under 5,000 would be closer to those made by taxpayers in municipalities over 5,000.

The options differ in their cost allocation mechanism, degree of input into policing decision (governance), ability to change police service levels beyond base level, and their financial impact on affected areas.

Appendix C presents a summary of the options.

OPTION 1:

[5] The average cost of the current rural property tax per person in unincorporated areas is approximately the same as the average cost per person of maintaining municipal roads in municipalities with less than 5,000 population.

Levy a new provincial "police services tax" in the municipalities under 5,000 and unincorporated areas to pay for local police services.

1. Tax Mechanism

The provincial government would directly levy a new "police services tax" on property in municipalities under 5,000 and the rural areas. The province would establish different tax rates for each property class, but those rates would apply province-wide in the rural areas and municipalities under 5,000.

2. Police Cost Allocation

Police costs would be allocated as though all the rural areas and municipalities under 5,000 in the province comprised a single unit.

3. Tax Collection

The Surveyor of Taxes would collect the tax for the province from rural property owners. Municipalities under 5,000 would collect the tax on behalf of the province. In both cases, the levy would appear as a separate line on property tax notices, described with wording such as "provincial police services tax".

4. Governance Model

In conjunction with the RCMP, the province would continue to make decisions on policing. Rural areas and municipalities under 5,000 could influence their local police services through discussions with the province and the RCMP, as is the current practice.

Individual jurisdictions could not request and pay for enhanced services. The RCMP, in consultation with the province and affected residents, would continue to determine appropriate police service levels.

5. Financial Impact

Police costs would be recovered from all property classes based on assessed values. Because home values in urban areas and the lower mainland tend to be higher than elsewhere in B.C., this option would impose higher taxes on residential taxpayers in those areas.

Gross property taxes on average value homes in most municipalities and unincorporated areas[6] would increase by between $44 and $126 per year. Residential taxpayers in most municipalities would experience increases in total property taxes of between 5% and 8%. However, increases could be much higher in some lower mainland areas.[7] If this option is chosen, government would consider mitigation of unduly high impacts.

Appendix D illustrates the impacts of both options for a sample of jurisdictions.

Advantages:

- Amounts to be collected in municipalities and the rural area are based on ability to pay, as measured by their share of the overall tax base. Areas with unusually high local police costs share those costs with all other areas, and areas with weak tax bases benefit from stronger tax bases in other parts of the province.

- The impact on residential taxpayers is more even than under option 2, with the exception of taxpayers in a few areas with very high valued homes.

Disadvantages:

- Jurisdictions will continue to have limited input into local policing decisions.

- There is no formal process allowing residents of municipalities under 5,000 and rural areas to request a change in police service levels.

- Impacts on home owners in a few areas (mainly in the GVRD) would be quite high, due to the value of homes there compared to elsewhere in the province.

[6] 80% of all affected jurisdictions fall within this range.
[7] Without mitigation, increases for average valued homes could be as high as $500 per year.

OPTION 2:

Use a Regional District model to allocate costs and raise the revenues required for municipalities under 5,000 and unincorporated areas .

1. Tax Mechanism

Regional Districts (not the provincial government) would be responsible for raising revenues to pay for police services to the rural areas and municipalities under 5,000. Police services would become a required regional district service and all rural areas (electoral areas) and municipalities under 5,000 would be required to participate in the service. Although the province would still be responsible for headquarters costs, regional districts would be invoiced for the local police services provided within their boundaries.[8] Regional districts would raise the funds required to pay for local police services through direct property taxation.

2. Police Cost Allocation

Regional districts would be responsible for the actual cost of local police services delivered to unincorporated areas and municipalities under 5,000 in their jurisdiction. Regional districts would allocate these costs to participating areas according to their share of the hospital base assessment in the service area, in keeping with usual regional district practice.

3. Tax Collection

The Surveyor of Taxes would collect taxes in unincorporated areas on behalf of regional districts. The Surveyor of Taxes adds a 5.25% commission to taxes it collects on behalf of regional districts.

Regional districts would requisition participating municipalities for their share of costs and they would, in turn, raise the required contribution from their taxpayers.

4. Governance Model

Regional district boards could identify any matters concerning policing in the district, and make recommendations to the RCMP and the provincial government. Regional Districts could also choose other approaches to enhance accountability such as establishing local and/or regional committees on policing.

Regional districts would also have the ability to request an increase in police service levels beyond the base level. Upon approval of the request by the RCMP and the Minister of Public Safety and Solicitor General, the province would invoice the regional

[8] There is one region in the province (Stikine) that is not incorporated as a regional district. In this area the province would have to continue its responsibility for local policing and apply a tax, as described for the first option, to generate a local contribution to costs.

district for the additional police services, and the regional district would raise the funds to pay for it.

5. Financial Impact on residential taxpayers

This option allocates actual costs to regional districts. Those areas with higher police costs would pay more than areas with lower costs. Similarly, regional districts would rely on the strength of their own tax base to recover these costs.

Annual gross property taxes on average value homes in most municipalities and unincorporated areas[9] would increase by between $42 and $153 per year, or 4% to 12%. However, increases would be higher in some areas.[10] Proposals for mitigation of unduly high impacts are under consideration.

Appendix D illustrates the impacts of both options for a sample of jurisdictions.

Advantages:

- Regional Districts would have increased input into local policing and would be able to request a change in police service levels beyond base levels.
- This option supports both the provincial government and RCMP's plans for a regionally integrated police service supported by regional governance.

Disadvantages:

- This option does not allocate costs to regional districts based on their ability to pay, but rather on the cost of policing within each regional district. It does result in high costs for some areas of the province that are experiencing economic hardship. However, some form of mitigation could be considered.
- The impact of this option on residential taxpayers is more variable than the first option although it does avoid the high costs for a few high valued areas that would occur under option one.
- Rural area taxpayers would pay the Surveyor of Taxes' commission on new taxes (this would not apply inside municipalities). The commission is not reflected in the calculation of tax increases above.

Mitigation Mechanisms

[9] 80% of all affected jurisdictions fall within this range.

[10] Increases to gross property taxes on average valued home in the 8 municipalities with the largest increases would range from 12% to 18%. Without mitigation, increases for average valued homes in some rural areas could be up to $318 per year.

Government has identified three potential mechanisms to mitigate the impacts of the new police financing requirements on taxpayers and local governments. They are:

- **Adjustment period:** Government is looking at a possible phase-in period to ease the change for local governments.

- **Home Owner Grant:** Under both options some residential property taxpayers will be able to apply unused portions of their Home Owner Grant to offset some or all taxes for police services.[11]

- **Traffic Fine Revenue Sharing:** The province has made a New Era commitment to share 75% of traffic fines with local governments that contribute to policing costs. The total fine revenue to be distributed is estimated to be equivalent to 7% of police costs estimated under Option 1 or 2 above.

Next Steps

Once local government has had a chance to review the options and provide the province with feedback in the panel discussion at UBCM, the Solicitor General, with his Cabinet colleagues will decide which option to adopt. The required legislative amendments enabling the changes can then be put to the Legislative Assembly.

[11] The provincial government's Home Owner Grant is a reduction of indebtedness for the current year's property taxes. About twenty percent of eligible homeowners in rural areas, typically those in modest homes and in small towns and rural areas, have some unused grant room remaining.

APPENDIX A

Calculation of Local Police Costs in Municipalities under 5,000 Population and Unincorporated Areas

The following criteria were used to calculate the cost of local police services in municipalities under 5,000 population and unincorporated areas during 2001:

- Small municipalities and rural areas would be charged only for the cost of their local (response to call) police services provided by the RCMP Provincial Force.

- Local police services are delivered by general duty and investigative units; they do not include highway/freeway patrol and any specialized police function serving all jurisdictions in the province and centrally located in district offices or "E" Division Headquarters (e.g., Unsolved Homicide Task Force).

- The number of RCMP Provincial Force members assigned to general duty and general investigative units in 2001 was 681.

- The cost for each of these 681 police officers is based on the average per member cost in the 31 municipalities between 5,000 and 15,000 that have RCMP Municipal Police Unit Agreements. In 2001, the estimated average per member cost in these municipalities was $92,591. Therefore the total cost of local (response to call) policing is $63,054,471 (i.e. $92,591 x 681 members).

- The 681 police members provide local police services to 730,958 persons living in small communities, unincorporated areas and Indian reserves. Since the 59,428 persons living on reserves do not pay provincial taxes, it is not possible to charge them for their police services.

- Therefore, the $63,054,471 cost of policing these areas was reduced by the proportion of police services delivered to reserves. Since 15% of Criminal offences reported in the Provincial Force areas occurred on reserves, the cost of policing non-reserve areas was calculated to be $54,073,425.

- These calculations were made for each regional district in the province.

- In addition to deducting the cost of policing for reserves, downward adjustments were made in the GVRD to take into account the cost of policing large parks where there were a large number of reported offences and no resident population. A portion of the cost of policing UBC was also deducted.

- Of the $54 million net cost, about 27% or about $15 million is the cost of policing municipalities under 5000, and 73% or $39 million is the cost of policing the non-reserve unincorporated areas. This split is based on population.

APPENDIX B

Estimated Contribution to Policing
By Municipal, Provincial and Federal Governments in 2001

TYPE OF FORCE	POPULATION POLICED IN 2001	TOTAL POLICE COSTS PAID BY:			
		MUN GOV'T	PROV GOV'T	FED GOV'T	TOTAL
12 INDEPENDENT MUNICIPAL FORCES	1,156,065	$ 246,343,640	0	0	$ 246,343,640
28 RCMP MUNICIPAL FORCES Over 15,000 Population	1,900,001	$ 268,252,836	0	$ 22,500,400	$ 290,753,236
31 RCMP MUNICIPAL FORCES[1] 5,000 to 15,000 Population	305,756	$ 36,896,044	$ 300,000	$ 11,765,035	$ 48,961,079
RCMP PROVINCIAL FORCE	730,958				
83 Muns under 5,000 Population	181,254	0	$ 153,500,000	$ 65,772,441	$ 219,272,441
First Nations Reserve Population	59,428	0			
Unincorporated Areas	490,276	Partial			
First Nations Administered Police Services	3,154	0	$ 593,040	$ 642,460	$ 1,235,500
TOTAL	4,095,934	$ 551,492,521	$ 154,393,040	$ 100,680,336	$ 806,565,897

FOOTNOTE

[1] The Municipality of Lake Country received a Local Government Restructure Grant for Policing (LGRGP) totalling $300,000 in February 2001 from the provincial government. Since this amount was paid in the calendar year 2001, it has been deducted from the total costs reported in the 5,000 to 15,000 population category.

DATA QUALIFIERS

1. All expenditures figures shown above for federal and provincial governments represent estimated costs paid in fiscal year 2001/2002. The expenditure figures for municipalities with independent and RCMP municipal forces represent estimated costs paid by them in calendar year 2001.
2. Expenditure figures for the 59 municipalities with RCMP municipal forces include both the contract costs, and those costs paid by the municipality which are over and above the contract costs, e.g., support staff salaries and benefits, and accommodation costs. These figures exclude bylaw enforcement and victim services program costs where municipalities have this in their policing budget. The federal government contributions to policing include their share of municipal and provincial policing costs. These figures represent only their share of the contract costs, and exclude costs born by the federal government which are over and above the contract costs. These figures also exclude the costs to the federal government for Federal Force members operating in B.C.
3. Canada Census occurred in 1996. The population figures for 2001 are estimates based on 1996 Census data. The 1996 census population determines which category (5,000 to 15,000 or over 15,000 population) a municipality policed by the RCMP is in. The final 2001 Census results will not be available until early 2003.
4. The unincorporated areas of the province make no direct contribution towards their policing services. However, part of the rural property tax levy could be considered as partially offsetting their police costs.
5. In 2001/2002 under RCMP Policing Agreements, municipalities over 15,000 population were paying 90% of their contract policing costs, and municipalities between 5,000 and 15,000 were paying 70% of their contract costs. In the same year, the province was paying 70% of provincial policing costs.

APPENDIX C

Summary of Options 1 and 2

	Option 1: New Provincial Police Services Tax	Option 2: Regional District Model
Tax mechanism	New provincial "police services" tax on property in municipalities under 5,000 and rural areas	Regional district responsible for raising revenues for police services within their boundaries
Police Cost Allocation	Based on the cost of policing in the entire rural area and municipalities under 5,000 treated as a whole. Costs to be recovered from individual taxpayers according to the value and class of their property.	Based on the actual cost of policing in each regional district. Within each regional district, based on jurisdiction's ability to pay (as measured by their share of the hospital base assessment in the regional service area)
Tax Collection	By the Surveyor of Taxes on behalf of the province in rural areas; by municipalities on behalf of the province from municipal property owners. Separate line item would appear on property tax notices	Regional districts would requisition municipalities. The Surveyor of Taxes would collect tax in the rural areas on behalf of regional districts
Governance model	Province and RCMP would continue to make decisions on local policing. Input from residents of affected areas would be limited.	Residents of affected areas would have input into local policing through regional districts.
Changing police service levels	Police service levels would continue to be determined by province and RCMP in consultation with residents of affected areas	Could be requested by regional districts, which, upon approval by RCMP and Min. of Sol. Gen. would then raise the necessary funds.
Impact on residential taxpayers	More evenly distributed across the province, except for taxpayers with very high valued homes who would pay more (e.g., in the rural area of the GVRD).	More variable. Some areas currently experiencing economic hardship would incur high costs.

APPENDIX D

Financial Impact of Options 1 and 2 for Selected Jurisdictions

	Region	Jurisdiction	$ Increase in Gross Taxes for Average Single Family Dwelling		Percentage increase in Gross Taxes[1]	
			Option 1	Option 2	Option 1	Option 2
1	South Coast	Resource based municipality	$93	$100	6.3%	6.7%
2	South Coast	Resource based municipality	$77	$78	6.1%	6.2%
3	South Coast	Unincorporated urban fringe	$120	$70	na	na
4	Central Interior	Resource based municipality	$75	$143	5.9%	11.3%
5	South Interior	Unincorporated urban fringe	$135	$119	na	na
6	South Interior	Tourism and farming based municipality	$126	$166	8.1%	10.7%
7	Lower mainland	Agricultural municipality	$69	$110	5.0%	7.9%
8	North Coast	Resource based municipality	$26	$64	4.7%	11.7%
9	North Coast	Resource based municipality	$37	$112	4.7%	14.3%
10	Central interior	Resource based municipality	$44	$33	4.3%	3.2%
11	Central Interior	Resource based municipality	$76	$145	5.0%	9.6%
12	North Interior	Resource based municipality	$20	$9	2.8%	1.4%
13	North Interior	Unincorporated area	$70	$49	na	na
14	Lower Mainland	Unincorporated urban fringe	$500	$318	na	na

[1] Percentage increase in total gross property taxes payable. Gross property taxes include school taxes, regional district taxes; regional hospital district taxes, municipal taxes and taxes levied by BC Assessment and the Municipal Finance Authority. Because taxes for regional service vary by location within unincorporated areas to a large degree, percentage increases for unincorporated areas have not been calculated.